



AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE CITY OF MATLOSANA

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the City of Matlosana, which comprise the statement of financial position as at 30 June 2010, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages ... to

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, plant and equipment

4. I was unable to verify the existence, valuation and allocation, rights and obligations and completeness of infrastructure assets included in property, plant and equipment, stated at R2 145 601 692 (2009: R2 154 189 217) in the statement of financial position. Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment* requires that each part of an item of property, plant and equipment should be recognised separately. The municipality has not yet completed its process to adhere to this requirement. The municipality's records did not permit the application of alternative audit procedures regarding the existence, valuation and allocation, rights and obligations, and completeness of these infrastructure assets.
5. I was unable to verify the existence, valuation and allocation, rights and obligations, and completeness of land and buildings and community assets included in property, plant and equipment, stated at R211 597 190 and R55 886 945, respectively (2009: R135 161 240 and R52 899 185) in the statement of financial position. Sufficient appropriate audit evidence I considered necessary to verify these balances was not provided. The municipality's records

did not permit the application of alternative audit procedures regarding the existence, valuation and allocation, rights and obligations, and completeness of these land and buildings and community assets.

6. Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment* requires that an item that meets the definition of property, plant and equipment should be recognised on acquisition and that after recognition as an asset, the asset should be carried at cost less accumulated depreciation and impairment losses. Contrary to these requirements the municipality has expensed assets with a cost price of R15 252 049. The municipality's records did not permit the application of alternative audit procedures and consequently I was unable to determine the impact of the expensed assets on the depreciation and amortisation expense in the statement of financial performance as well as the carrying amount of the property, plant and equipment balance in the statement of financial position.
7. Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment* requires that the repairs and maintenance of an asset should be recognised as expenditure. Contrary to this, the municipality capitalised repairs and maintenance costs of R12 773 515 as property, plant and equipment. Property, plant and equipment are consequently overstated by R12 773 515 and repairs and maintenance expense understated by the same amount.
8. I was unable to verify the existence of assets of R39 364 357 included in other property, plant and equipment stated at R94 532 912 in the statement of financial position. The municipality's records did not contain sufficient information as to the location to verify the existence of these assets.
9. The municipality did not review the residual values and useful lives of property, plant and equipment annually in accordance with Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment*. This is evidenced by assets with a cost of R165 060 938 being included in the financial statements at a zero net carrying amount while still being in use. I was unable to confirm or verify by alternative means the value of assets stated in the statement of financial position at R2 509 104 550 (2009: R2 416 728 915) or the depreciation and amortisation expense included in the statement of financial performance at R152 965 736 (2009: R62 775 068). Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the valuation of infrastructure assets or to the accuracy, occurrence and completeness of the depreciation and amortisation expense.

Investment property

10. Standard of Generally Recognised Accounting Practice, GRAP 16, *Investment property*, requires property held for capital appreciation to earn rentals or land held for a currently undetermined use to be recognised as investment property. I was unable to verify the existence, valuation and allocation, rights and obligations, and completeness of investment property stated at R5 403 557 (2009: R5 403 557) in the statement of financial position. The municipality's records did not permit the application of alternative audit procedures regarding the existence, valuation and allocation, rights and obligations, and completeness of these investment properties.

Trade and other receivables and consumer debtors

11. I was unable to determine whether the municipality used objective evidence to calculate the amount of the provision for impairment of receivables stated at R89 582 181 (2009: R84 684 421) disclosed in note 7 and R635 591 802 (2009: R500 348 380) disclosed in note 8 to the financial statements, as required by the South African Statement of Generally Accepted Accounting Practice, IAS 39 (AC 133), *Financial Instruments Recognition and Measurement*. There is also an unexplained difference of R13 959 022 between the movement of the provision for impairment of receivables balance and the debt impairment expense of R154 100 204 stated in the statement of financial performance. The municipality's records did not permit the application of alternative audit procedures regarding the calculation of provision for impairment of receivables. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the valuation of provision for

impairment of receivable.

12. I was unable to agree the housing rental receivables of R17 917 800 disclosed in note 7 to the financial statements with the actual rental agreements, due to limitations placed on the scope of my work by the municipality. The municipality's records did not permit the application of alternative audit procedures regarding housing rental receivables. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, rights and obligations, completeness, valuation and allocation of the housing rental receivable balance.
13. Included in consumer debtors of R166 486 940 disclosed in note 8 to the financial statements, is a balance of R100 227 630 which relates to consumer debtors that entered into an arrangement agreement with the municipality to repay debts over a period without levying any interest on the outstanding amount. This amount was, however, not valued at amortised cost as required by South African Statement of Generally Accepted Accounting Practice, IAS 39 (AC 133), *Financial Instruments Recognition and Measurement*, resulting in consumer debtors being overstated by R14 800 920 and the deficit for the year being understated by R14 800 920.
14. The municipality could not provide sufficient appropriate audit evidence to substantiate sundry debtors and consumer debtors of R27 406 018 (2009: R142 227 177) included in trade and other receivables of R58 961 138 and consumer debtors of R166 486 940, respectively, as stated in the statement of financial position. The municipality's records did not permit the application of alternative audit procedures regarding these consumer and sundry debtors. Consequently, I was unable to satisfy myself as to the existence, rights, valuation and allocation of these sundry debtors and consumer debtors.

Other receivables

15. As reported in the prior year, my opinion on the corresponding figure of R12 058 757 for other receivables stated in the statement of financial position was modified. Sufficient appropriate audit evidence was not available to substantiate an amount of R11 646 562 included in this balance. The municipality's records did not permit the application of alternative audit procedures regarding the existence, valuation and allocation, rights and obligations and completeness of this amount included in the corresponding figure.
16. The non-current portion of the other receivable balance stated at R293 462 in the financial statements, is not complete. This balance was reduced by R19 283 447 written off as bad debt subsequent to year-end. Consequently, the other receivables balance is understated by R19 283 447. Had the bad debt written off not been recognised, the surplus for the period would have increased by R19 283 447.

Cash and cash equivalents

17. Standard of Generally Recognised Accounting Practice, GRAP 2, *Cash flow statements* defines cash equivalents as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Included as other financial assets in the statement of financial position are call accounts of R73 181 026 (2009: R82 382 668) held by the municipality, which should have been disclosed as cash and cash equivalents. Consequently, other financial assets are overstated and cash and cash equivalents understated by R73 181 026 (2009: R82 382 668).

Trade and other payables

18. The municipality could not provide sufficient appropriate audit evidence to substantiate trade and other payables of R21 466 296 included in the balance of R78 776 376 stated in the statement of financial position. The municipality was unable to identify and list the suppliers to whom these amounts are owed. The municipality's records did not permit the application of alternative audit procedures regarding these trade and other payables. Consequently, I was unable to satisfy myself as to the existence, rights, valuation and allocation of these trade and other payables.
19. The municipality could not provide sufficient appropriate audit evidence to substantiate the

balance for retentions of R18 815 797 included in trade and other payables stated at R78 776 376 in the statement of financial position. The municipality's records did not permit the application of alternative audit procedures regarding retentions on capital projects. Consequently, I was unable to satisfy myself as to the existence, rights, valuation and allocation of these retentions included in trade and other payables.

Provisions

20. I was unable to recalculate the leave provision stated at R19 080 803 (2009: R12 386 167) in the statement of financial position, due to inaccurate and incomplete leave records used in the calculation of the provision. The entity's records did not permit the application of alternative audit procedures regarding the leave provision. Consequently, I did not obtain all the information I considered necessary to satisfy myself as to the valuation and allocation of this staff leave provision.
21. The Standard of Generally Recognised Accounting Practice, GRAP 19, *Provisions, Contingent Liabilities and Contingent Assets* requires that a provision be recognised when an entity has a present obligation for an outflow of economic resources that can be reliably estimated. The municipality failed to recognise provisions for the restoration of the landfill sites, performance bonuses, post-retirement medical aid benefits and long-service awards. I was unable to determine the extent of these provisions due to limitations placed on the scope of my work by the municipality. The municipality's records did not permit the application of alternative audit procedures regarding these provisions. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the completeness of provisions. I could not determine the effect of this limitation on the other account balances or classes of transactions contained in the financial statements.

Consumer deposits

22. The municipality could not provide sufficient appropriate audit evidence to substantiate consumer deposits of R14 918 885 included in the balance of R20 653 394 stated in the statement of financial position. The municipality's records did not permit the application of alternative audit procedures regarding these deposits. Consequently, I was unable to satisfy myself as to the existence, rights, valuation and allocation of these consumer deposits.

Unspent conditional grants and receipts

23. I was unable to obtain sufficient appropriate audit evidence for a debit balance of R11 123 608 in respect of provincial health subsidies included in the unspent conditional grants and receipts balance of R48 797 645 stated in the statement of financial position. Unspent conditional grants and receipts are therefore understated by R11 123 608 (2009: R5 774 453) while revenue is overstated by R5 349 155 (2009: R5 774 453).
24. The municipality could not provide sufficient appropriate audit evidence to support a difference of R12 479 631 (2009: R9 842 906) between recognised revenue (conditions met) of R80 168 301 and expenditure of R67 688 670 in the statement of financial performance. The municipality's records did not permit the application of alternative audit procedures. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to valuation, rights and obligations, existence and completeness of unspent conditional grants and receipts stated at R48 797 645 (2009: R43 430 016) in the statement of financial position.

Revenue

25. During the financial year, the municipality introduced a minimum property rates rate of R100 on all residential properties and R50 on properties owned by indigents. This is in contravention of section 11(3) and 17(1)(h) of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004), which prohibits rates to be charged on the first R15 000 of the market value of properties and limits the rate to be charged to a prescribed percentage of the market value of the property. Consequently, revenue, consumer debtors and the net surplus are overstated by R60 038 860.

26. Included in property rates revenue stated at R222 191 171 in the statement of financial performance is an amount of R30 081 696, representing rebates on property rates. This amount does not meet the definition of revenue as defined by the Standard of Generally Recognised Accounting Practice, GAMAP 9, *Revenue*. Revenue and expenditure are therefore overstated by R30 081 696.
27. Revenue from service charges does not include revenue from water and electricity consumed during the period from the last meter reading to 30 June 2010 (R33 855 526) but incorrectly includes sales for the similar period relating to the prior year (R22 166 779). Standard of Generally Recognised Accounting Practice, GRAP 1, *Presentation of Financial Statements*, requires revenue to be recognised when it accrues to the municipality. Revenue and consumer debtors are therefore understated by R11 688 748.
28. Included in general expenditure stated at R362 524 870 in the statement of financial performance is an amount of R67 204 819 relating to the provision of free basic services to consumers within the municipality. This amount does not meet the definition of an expense and consequently both revenue and expenditure are overstated by R67 204 819.
29. Revenue from the sale of stands of R38 056 223 was not recognised as revenue in the statement of financial performance as required by the Standard of Generally Recognised Accounting Practice, GRAP 9, *Revenue from Exchange Transactions*. Revenue, receivables and the VAT payables are therefore understated by R38 056 223, R43 384 094 and R5 327 871 respectively.
30. I was unable to obtain sufficient appropriate audit evidence to substantiate revenue of R132 336 284 included in other income of R176 515 165 stated in the statement of financial performance. The municipality's records did not permit the application of alternative audit procedures regarding these revenue transactions. Consequently, I was unable to satisfy myself as to the occurrence, accuracy and classification of this amount.

Expenditure

31. Included in general expenditure stated at R362 524 870 in the statement of financial performance is an amount of R38 862 469 which relates to payments made to certain parties where the municipality is responsible for the collection of licence fees on their behalf. These payments do not meet the definition of an expense and consequently both expenditure and revenue are overstated by R38 862 469.
32. I was unable to obtain sufficient appropriate audit evidence for expenditure of R82 691 092 included in general expenditure of R362 524 870 stated in the statement of financial performance. The municipality's records did not permit the application of alternative audit procedures regarding the occurrence, accuracy, classification, cut-off and completeness of this expenditure.

Reserves

33. The accumulated surplus opening balance of R2 446 242 455 stated in the statement of financial position, does not agree with the balance of R2 500 379 986 as per the statement of changes in net assets. Management could not provide sufficient appropriate audit evidence or explanation for the difference of R54 137 531. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to valuation, rights and obligations, existence and completeness of the accumulated surplus. I could not determine the effect on the other account balances or classes of transactions contained in the financial statements.
34. The accumulated surplus opening balance has been restated as a result of changes in accounting policy and correction of errors, from R405 849 716 (the closing balance as per the prior year audited financial statements) to R2 446 242 455 (the opening balance as per the statement of financial position). Standard of Generally Recognised Accounting Practice, GRAP 3, *Accounting policies, changes in accounting estimates and errors* requires disclosure of the impact of these changes. These disclosures were, however, not included in the financial statements of the municipality. I could not determine the effect of the changes on the other account balances or classes of transactions contained in the financial statements.

Contingent liabilities and assets

35. Standard of Generally Recognised Accounting Practice, GRAP 19, *Provisions, Contingent Liabilities and Contingent Assets* requires the municipality to disclose any events not wholly in the control of the municipality and that give rise to the possibility of an inflow of economic benefits. Legal claims of R396 038 027 instituted against contractors for possible negligence, were not disclosed as contingent assets in note 33 to the financial statements.

Capital commitments

36. There was no contract management system in place for the identification of commitments and there were no alternative audit procedures that I could perform to obtain reasonable assurance that all capital commitments were properly disclosed. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of capital commitments of R53 119 409 disclosed in note 32 to the financial statements.

Related party disclosures

37. International Public Sector Accounting Standard, IPSAS 20, *Related party disclosures* requires disclosure of transactions with related parties. Disclosed in note 34 to the financial statements are amounts of R3 739 321 for councillor I Bondes and R3 456 482 for councillor MC Dithejane. The total payments made to the suppliers where these councillors had interests as per the municipality's records were, however, R4 311 155 and R7 867 210, respectively, resulting in the amounts disclosed in note 34 to be understated by R571 834 and R4 410 728, respectively. Furthermore, the corresponding figure of R3 902 988 as disclosed in the prior year, was omitted in the current year's disclosure.

Irregular expenditure

38. Section 125 of the MFMA requires disclosure of material irregular expenditure. Municipal Supply Chain Management Regulation 44 prohibits the municipality from making awards to persons in the service of the state. The municipality made awards of R7 961 710 to suppliers where councillors or officials of the municipality held interests. This amount was not disclosed in the notes to the financial statements.
39. I was unable to obtain sufficient appropriate audit evidence for awards of R105 442 915 made in terms of the municipality's supply chain management policy. The municipality's records did not permit application of alternative procedures. Furthermore, it was impracticable to quantify the resulting misstatement. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself that all material irregular expenditure has been disclosed in the notes to the financial statements.

Unauthorised expenditure

40. Section 125 of the MFMA requires disclosure of material unauthorised expenditure. The definition of unauthorised expenditure as per section 2 of the MFMA includes the overspending of the total amount appropriated for a vote in the approved budget. "Vote" means one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality and "overspending" in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote. According to the municipality's records, unauthorised expenditure of R324 708 853 was incurred during the year as a result of overspending on individual votes. This unauthorised expenditure was, however, not disclosed in the notes to the financial statements.

Cash flow statement

41. Presentation of a cash flow statement, summarising the entity's operating, investing and financing activities are required by Standard of Generally Recognised Accounting Practice, GRAP 2, *Cash flow statements*. This standard requires that "an entity shall report cash flows

from operating activities using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed." The cash flow statement was not prepared using the direct method as required by the standard. Sufficient appropriate audit evidence was also not provided for amounts included in the cash flow statement. The municipality's records did not permit the application of alternative audit procedures regarding the occurrence, rights and obligations, completeness, classification and understandability and accuracy and valuation of these cash flows disclosed.

Financial instruments

42. Financial instruments disclosure as required by the South Africa Statement of Generally Accepted Accounting Practice, IFRS 7, *Financial instruments disclosure* and IAS 32 (AC 132), *Financial instruments presentation* have not been included in the financial statements. I was unable to quantify the impact of the non-compliance so as to determine whether it is material to the financial statements. However, given the materiality of the financial assets and liabilities, this non-disclosure may have a material impact on the financial statements as a whole.

Disclaimer of opinion

43. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Additional matter

I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

44. The supplementary information set out on pages ... to does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

45. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and their regulations and financial management (internal control):
- MFMA
 - DoRA
 - Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA)
 - Municipal Structures Act of South Africa, 1998 (Act No.117 of 1998)

Predetermined objectives

46. Material findings on the report on predetermined objectives, as set out on pages ... to ..., are reported below:

Non-compliance with regulatory and reporting requirements

Inadequate content of integrated development plan

47. The integrated development plan of the City of Matlosana did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.
48. The key performance indicators set by the City of Matlosana did not include any general key performance indicators applicable to the municipality, as prescribed in terms of section 43(1)

of the MSA.

Functioning of the audit committee

49. The audit committee:

- contrary to section 45 of the MSA, only reviewed the first quarterly report during the year
- contrary to section 45 of the MSA and section 166(2) only submitted an internal audit report to the council regarding the performance management system for the second period of the financial year.

Functioning of the internal audit unit

50. Contrary to section 45(a) of the MSA, the internal auditors did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the audit committee.

Usefulness of reported performance information

51. The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

Reported information not consistent with planned objectives, indicators and targets

52. The City of Matlosana has not reported throughout on its performance against predetermined objectives, indicators and targets which is consistent with the approved integrated development plan.

Planned and reported indicators and targets not well defined

53. For the selected objectives, 100% of MIG grants IDP projects, the planned and reported indicators and targets were not clear and well defined to allow for data to be collected and measured consistently.

Planned and reported performance targets not specific and measurable

54. For the selected objectives, 100% of MIG grants IDP projects, the planned and reported targets were not:

- specific in clearly identifying the nature and the required level of performance
- measurable in identifying the required performance.

Compliance with laws and regulations

Municipal Finance Management Act, 2003

Expenditure was incurred in contravention of, or not in accordance with, applicable legislation resulting in irregular expenditure

55. Expenditure was not incurred in accordance with the requirements of the supply chain management policy of the municipality as set out in the definition of “irregular expenditure” as set out in section 1(d).

Expenditure was incurred otherwise than in accordance with sections 11(3) and 15 of the MFMA resulting in unauthorised expenditure

56. Expenditure was not incurred in accordance with the approved budget of the municipality and exceeded the limits of the amounts appropriated for the different votes in the approved budget of the municipality as required by section 15.

Transfer and disposal of assets were not made in compliance with the applicable legislation

57. Disposal of capital assets by the municipality was not at fair market value of the asset as required by section 14.

Supply chain management legislative requirements were not implemented or not adhered to (not resulting in irregular expenditure)

58. Contrary to section 62(1)(b), proper record keeping and management were not in place, resulting in requested information not being available or supplied with a significant delay.

Expenditure was not paid within the parameters set by the applicable legislation

59. Expenditure was not paid within the required 30 days from the receipt of an invoice as required by section 65(2)(e).

The internal audit unit was not properly established or not functioning properly

60. The municipality's internal audit unit was not functioning properly during the year under review as required by section 165 as the section was not properly staffed for the majority of the year.

The audit committee was not properly established or not functioning properly

61. The audit committee did not adequately discharge its mandate during the year under review as required by section 166.

Municipal Supply Chain Management Regulations

Supply chain management legislative requirements were not implemented or not adhered to (not resulting in irregular expenditure)

62. Allegations of corruption, misconduct or failure to comply with the SCM system were not investigated within a reasonable time as required by regulation 38(1)(b).
63. No risk assessment was performed for the identification, consideration and avoidance of potential risks in the SCM system as required by regulation 41(2).

Internal control

64. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and DoRA, but not for the purpose of expressing an opinion on the effectiveness of internal control.
65. The matters reported below are limited to the significant deficiencies regarding the basis for disclaimer of opinion paragraph, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

- **Leadership**

Management's philosophy and operating style does not promote effective control over reporting. The accounting officer does not exercise oversight over reporting and compliance with laws and regulations and internal control. An effective organisational structure for placing appropriately skilled people is not in place, as a high vacancy rate at senior management level still exists at the municipality.

- **Financial and performance management**

There were insufficient implemented controls to ensure that information in the financial statements and the report on predetermined objectives was reliable. This includes key

reconciliations and development of appropriate accounting policies to ensure that all disclosures required by the accounting framework are included.

- **Governance**

The council failed to implement good governance principles within the municipality. These include a formal risk assessment process, development and implementation of a risk management policy and fraud prevention plan and an effective internal audit unit. This failure is also underlined by the recent resignation of the audit committee.

Auditor-General

Rustenburg

30 November 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence